

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

February 6, 2004

Jay Marshall, Resident Agent
UtahAmerican Energy, Inc.
P.O. Box 986
Price, Utah 84501

Re: Verification on Post Mine Land Use Change, UtahAmerican Energy Inc.,
Horse Canyon Mine, C/007/0013, Outgoing File

Dear Mr. Marshall:

This letter is in response to your January 23, 2004 letter requesting clarification of issues associated with changing the post mining land use (PMLU) at the Horse Canyon Mine.

Let me first state that changing the land use at the Horse Canyon Mine or donating the land to CEU will not have an affect on your ability to mine in Lila Canyon. I believe that this was our position in our earlier meetings and it has not changed. We have reviewed and conditionally approved the PMLU application (January 6, 2004) as a separate permitting action dealing only with the Horse Canyon Permit and not the Lila Canyon application. Your application for a post mining land use change at Horse Canyon did not alter the Lila Canyon Application and our conditional approval of it did not change your Lila Canyon Application.

It is important to point out that our approval of the post mining land use at Horse Canyon did not alter your current permit area either. There is a clear distinction between approval of an alternative post mining land use and receiving final bond release. Should the alternative post mining land use not materialize, you would be responsible for falling back to the original post mining land use, which would be to reclaim the site to wildlife and grazing use. Reduction of permit area or release of acreage from the permit is accomplished through the bond release process and changing the post mining land use in itself does not do this, but might only be a step in that process.

At some point in time you may be interested in applying for final bond release at the Horse Canyon site. At that time we would evaluate the site to determine if reclamation has been accomplished or whether there is reasonable likelihood that the alternative post mining land use will be accomplished. I would suspect that at that time the maps delineating the Horse Canyon Permit area would change to reflect the reduced permit area.

Page 2
Jay Marshall
February 6, 2004

If the maps in your Lila Canyon application also depict the Horse Canyon permit area, these may need to be changed at that time also.

I hope that this clears up the questions you have. Please call me at (801) 538-5325 if you have any others.

Sincerely,

Daron R. Haddock
Permit Supervisor

an
cc: Mary Ann Wright
Price Field Office
O:\007013.HOR\Final\PMLUltr.doc